

**PLYMOUTH COUNTY AREA  
SOLID WASTE AGENCY  
Independent Auditors' Report  
June 30, 2012 and 2011**

# PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

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## PLYMOUTH COUNTY AREA SOLID WASTE AGENCY

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Mark Loutsch	Board Member and Executive Board	Plymouth County
Rick Bohle	Board Member and Executive Board	City of Kingsley
Dennis Slota	Board Member and Executive Board	City of Remsen
Dick Kirchoff	Board Member and Executive Board	City of Le Mars
Tony Paskert	Board Member and Executive Board	Plymouth County
Keith Towns	Board Member	City of Hinton
Ken Krienert	Board Member	City of Brunsville
Craig Christman	Board Member	City of Oyens
Barry Cornish	Board Member	City of Craig
Bret Udell	Board Member	Plymouth County
Stuart Harris	Board Member	Plymouth County
Bruce Norgaard	Board Member	City of Merrill
Joe Vollmecke	Board Member	City of Struble
Marsha Dewey	Board Member	City of Westfield



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of PLYMOUTH COUNTY AREA SOLID WASTE AGENCY as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plymouth County Area Solid Waste Agency as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2012 on our consideration of Plymouth County Area Solid Waste Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Williams & Company P.C.*  
Certified Public Accountants

Le Mars, Iowa  
November 8, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Plymouth County Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2012 and 2011. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The Agency's operating revenues decreased 1%, or \$8,671 from the fiscal year 2011 to fiscal year 2012.
- The Agency's operating expenses increased 5%, or \$35,529 from fiscal year 2011 to fiscal year 2012.
- The Agency's net assets increased 5%, or \$75,142 from June 30, 2011 to June 30, 2012.

### USING THIS ANNUAL REPORT

The Plymouth County Area Solid Waste Agency is a special purpose government reported as a single business type activity and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Plymouth County Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE AGENCY

### *Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2012 totaled \$1,655,360. This compares to \$1,580,218 for fiscal year 2011. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2012	2011
Current assets	\$ 615,906	\$ 747,708
Restricted investments	771,320	583,149
Capital assets at cost, less accumulated depreciation	1,270,525	1,283,181
Total assets	2,657,751	2,614,038
Current liabilities	87,041	90,507
Long-term liabilities	915,350	943,313
Total liabilities	1,002,391	1,033,820
Net assets:		
Invested in capital assets, net of related debt	1,098,661	1,084,303
Restricted for Closure/Post Closure Costs	771,320	583,149
Unrestricted	(214,621)	(87,234)
Total net assets	\$ 1,655,360	\$ 1,580,218

47% of the Agency's net assets are restricted for closure and post closure care. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (66%, e.g., land, buildings and equipment), portion of net asset are resources allocated to capital assets.

### *Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for hauling charges from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues consist of interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues and expenses for the years ended June 30, 2012 and June 30, 2011 is presented on the next page:

Changes in Net Assets		
	Year ended June 30,	
	2012	2011
<b>OPERATING REVENUES</b>		
Assessments	\$ 189,175	\$ 188,105
#1 Materials (Transfer Station)	352,469	362,741
Construction & Demolition Materials	145,743	166,215
State Grant	-	20,000
Steel Sales	83,773	73,676
Other Operating Revenues	94,632	63,726
Total Operating Revenues	865,792	874,463
<b>OPERATING EXPENSES</b>		
Trucking Expense	4,706	1,677
Recycling Costs	279,582	289,385
Salaries and Wages	168,399	167,874
Employee Benefits	11,949	10,541
Utilities	9,570	10,402
Insurance	70,735	83,448
Board Expense	5,227	3,521
Office Expense	6,029	1,746
Professional Fees	16,482	16,906
Custom Work	18,529	-
Repairs and Maintenance	59,935	41,394
Fuel and Oil	43,699	41,300
Hazardous Waste Disposal Costs	25,436	21,012
Closure/Postclosure Costs	-	10,000
Other Operating Expenses	11,060	4,354
Depreciation	83,771	76,020
Total Operating Expenses	815,109	779,580
Operating Income	50,683	94,883
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest on Investments	29,737	34,085
Interest Expense	(5,278)	(8,292)
Total Non-Operating Revenues (Expenses)	24,459	25,793
Change in Net Assets	75,142	120,676
Net Assets Beginning of Year	1,580,218	1,459,542
Net Assets End of Year	\$ 1,655,360	\$ 1,580,218

In fiscal year 2012, operating revenues decreased by \$8,671 or 1%, operating expenses increased by \$35,529 or 5%. The changes in operating, revenues and expenses are presented above.

### *Statement of Cash Flows*

The Statement of Cash Flow presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes proceeds from the redemption of certificates of deposit.

### **CAPITAL ASSETS**

At June 30, 2012, the Agency had \$1,270,525 invested in capital assets, net of accumulated depreciation of approximately \$886,263. Depreciation charges totaled \$83,771 for fiscal year 2012. More detailed information about the Agency's capital assets is presented in Note 4 to the financial statements.

### **LONG-TERM DEBT**

At June 30, 2012, the Agency has a 10 year note payable for a compactor. More detailed information about the Agency's long-term debt is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS**

Plymouth County Area Solid Waste Agency maintained its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- Facilities at the Agency require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and post closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be improved compared to the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Plymouth County Area Solid Waste Agency, 34898 150<sup>th</sup> St., Le Mars, Iowa 51031.



**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 198,837	\$ 191,081
Investments (Note 2)	330,818	454,709
Receivables:		
Accounts Receivable	2,297	2,022
Accrued Interest	3,214	4,729
Due from Other Governments	61,036	75,414
Prepaid Insurance	19,704	19,753
Total Current Assets	<u>615,906</u>	<u>747,708</u>
<b>Long Term Assets</b>		
Restricted Assets:		
Temporary Cash Investments (Note 3)	771,320	583,149
Land	30,000	30,000
Infrastructure, Property, and Equipment (Net of Accum. Depreciation) (Note 4)	1,240,525	1,253,181
Total Long Term Assets	<u>2,041,845</u>	<u>1,866,330</u>
Total Assets	<u>2,657,751</u>	<u>2,614,037</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	35,725	38,941
Accrued Wages and Compensated Absences	7,387	8,820
Other Accrued Liabilities	548	1,018
Current Portion of Long Term Debt	26,514	25,565
Accrued Interest	344	398
Unearned Revenue	15,765	15,765
Recycling Incentive	758	-
Total Current Liabilities	<u>87,041</u>	<u>90,507</u>
<b>Long Term Liabilities</b>		
Bank Notes Net of Current Portion (Note 7)	145,350	173,313
Estimated Liability for Landfill Closure and Post closure Care Costs (Note 3)	770,000	770,000
Total Long Term Liabilities	<u>915,350</u>	<u>943,313</u>
Total Liabilities	<u>1,002,391</u>	<u>1,033,820</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,098,661	1,084,303
Restricted for Closure/Post Closure Costs	771,320	583,149
Unrestricted	(214,621)	(87,234)
Total Net Assets	<u>\$ 1,655,360</u>	<u>\$ 1,580,218</u>

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30, 2012 and 2011**

	2012	2011
<b>OPERATING REVENUES</b>		
Assessments	\$ 189,175	\$ 188,105
#1 Materials (Transfer Station)	352,469	362,741
Construction & Demolition Materials	145,743	166,215
State Grant	-	20,000
Steel Sales	83,773	73,676
Other Operating Revenues	94,632	63,726
Total Operating Revenues	<u>865,792</u>	<u>874,463</u>
<b>OPERATING EXPENSES</b>		
Trucking Expense	4,706	1,677
Recycling Costs	279,582	289,385
Salaries and Wages	168,399	167,874
Employee Benefits	11,949	10,541
Utilities	9,570	10,402
Insurance	70,735	83,448
Board Expense	5,227	3,521
Office Expense	6,029	1,746
Professional Fees	16,482	16,906
Custom Work	18,529	-
Repairs and Maintenance	59,935	41,394
Fuel and Oil	43,699	41,300
Hazardous Waste Disposal Costs	25,436	21,012
Closure/Postclosure Costs	-	10,000
Other Operating Expenses	11,060	4,354
Depreciation	83,771	76,020
Total Operating Expenses	<u>815,109</u>	<u>779,580</u>
Operating Income	<u>50,683</u>	<u>94,883</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest on Investments	29,737	34,085
Interest Expense	(5,278)	(8,292)
Total Non-Operating Revenues (Expenses)	<u>24,459</u>	<u>25,793</u>
Change in Net Assets	75,142	120,676
Net Assets Beginning of Year	<u>1,580,218</u>	<u>1,459,542</u>
Net Assets End of Year	<u>\$ 1,655,360</u>	<u>\$ 1,580,218</u>

See Accompanying Notes to Financial Statements

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

	2012	2011
Cash Flows from Operating Activities:		
Cash Received from Assessments	\$ 203,553	\$ 184,636
Cash Received from Monthly Hauling Charges	352,194	364,549
Cash Received from Construction and Demolition Materials	145,743	166,215
Cash Received from Other Operating Receipts	178,405	157,410
Cash Paid to Suppliers for Goods and Services	(565,348)	(531,981)
Cash Paid to Employees for Services	(170,302)	(165,326)
Net Cash Provided by Operating Activities	<u>144,245</u>	<u>175,503</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Payments	(27,014)	(24,006)
Interest Payments	(5,332)	(8,340)
Purchase of Capital Assets	(71,115)	(139,772)
Net Cash (Used) by Capital and Related Financing Activities	<u>(103,461)</u>	<u>(172,118)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(830,716)	(340,649)
Proceeds from the Sale of Investments	766,437	300,438
Interest Received	31,252	35,929
Net Cash (Used) by Investing Activities	<u>(33,027)</u>	<u>(4,282)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,757	(897)
Cash and Cash Equivalents Beginning of Year	<u>191,080</u>	<u>191,977</u>
Cash and Cash Equivalents End of Year	<u><u>198,837</u></u>	<u><u>191,080</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income	<u>50,683</u>	<u>94,883</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	83,771	76,019
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(275)	1,808
(Increase) Decrease in Due from Other Governments	14,378	(3,469)
(Increase) Decrease in Prepaid Insurance	49	(595)
(Decrease) in Accounts Payable	(3,216)	(5,698)
Increase in Accrued Wages and Compensated Absences	(1,433)	2,214
Increase (Decrease) in Other Accrued Liabilities	(470)	333
Increase in Estimated Closure/Postclosure Liability	-	10,000
Increase in Unearned Revenue	-	8
Increase in Recycling Incentive	758	-
Total Adjustments	<u>93,562</u>	<u>80,620</u>
Net Cash Provided by Operating Activities	<u><u>\$ 144,245</u></u>	<u><u>\$ 175,503</u></u>

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 1 -      Summary of Significant Accounting Policies**

Plymouth County Area Solid Waste Agency was formed in 1973 pursuant to the provisions of Chapter 28F of the Code of Iowa. The purpose of the Plymouth County Area Solid Waste Agency is to operate the sanitary landfill in Plymouth County, Iowa, for use by all the municipalities therein.

The Plymouth County Area Solid Waste Agency is composed of one representative of each of the ten member cities and five representatives from Plymouth County. The member cities are: Brunsville, Craig, Hinton, Kingsley, Le Mars, Merrill, Oyens, Remsen, Struble and Westfield.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A.   Reporting Entity**

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

**B.   Basis of Presentation**

The accounts for the Agency are organized as a special purpose government reported as a business type activity. Business type activities are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**C.   Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 1 - Summary of Significant Accounting Policies – (Continued)**

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities and Net Investments**

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have an original maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 and 2011 include unrestricted certificates of deposit of \$330,818 and \$454,709, and restricted certificates of deposit of \$771,320 and \$583,149, respectively.

Restricted Investments – Funds set aside for payment of closure and post closure care costs are classified as restricted.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of \$1,000.

Depreciation is computed using the straight-line method over useful lives ranging from 5 to 40 years.

Compensated Absences – The Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Agency's liability for accumulated vacation, including applicable employee benefits, has been computed based on rates of pay in effect at June 30, 2012 and 2011.

**Note 2 - Cash and Investments**

The Agency's deposits (demand deposits and certificates) at June 30, 2012 and 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 2 - Cash and Investments – (Continued)**

The Agency's investments consist only of certificates of deposits which are stated at cost.

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure. Information about the exposure of the Agency's debt type investments to this risk, using the segmented time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (in Years)	
		Less Than 1 Year	1 – 5 Years
Certificates of Deposits	\$1,102,138	\$ 143,570	\$ 958,568

**Note 3 - Closure and Post Closure Care Costs**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post closure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in post closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Plymouth County Area Solid Waste Agency have been estimated at \$770,000 and \$770,000 as of June 30, 2012 and 2011, and the entire liability has been recognized. This is based on what it would cost to perform all closure and post closure care during the years ended June 30, 2012 and 2011. Actual costs may be higher due to inflation, changes in technology or changes in regulations. As of June 30, 2012, the estimated remaining life of the landfill is approximately 57 years. The percentage of landfill capacity used at June 30, 2012 was 33%.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post closure care accounts to accumulate resources for the payment of closure and post closure care costs. The Agency has begun accumulating resources to fund these costs and, at June 30, 2012 and 2011, assets of \$771,320 and \$583,149, respectively, are restricted for these purposes, of which \$155,651 and \$152,211, respectively, is for closure and \$615,669 and

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 3 - Closure and Post Closure Care Costs - (Continued)**

\$430,938, respectively, is for post closure care. They are reported as restricted investments and restricted net assets on the Statement of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Agency to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 4 - Capital Assets**

A summary of capital assets at June 30, 2012 and 2011 as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
	30,000	-	-	30,000
Capital Assets being depreciated:				
Buildings and Improvements	969,688	-	-	969,688
Equipment and Vehicles	1,075,985	71,115	-	1,147,100
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	2,055,673	71,115	-	2,126,788
Less accumulated depreciation for:				
Buildings and Improvements	434,814	27,373	-	462,187
Equipment and Vehicles	363,878	56,298	-	420,176
Infrastructure	3,800	100	-	3,900
Total accumulated depreciation	802,492	83,771	-	886,263
Total capital assets being depreciated, net	1,253,181	-	-	1,240,525
Total capital assets, net	\$ 1,283,181	\$ -	\$ -	\$ 1,270,525

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Construction in Progress	2,499	-	2,499	-
	32,499	-	2,499	30,000
Capital Assets being depreciated:				
Buildings and Improvements	915,311	54,377	-	969,688
Equipment and Vehicles	996,956	115,035	36,006	1,075,985
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	1,922,267	169,412	36,006	2,055,673
Less accumulated depreciation for:				
Buildings and Improvements	409,692	25,122	-	434,814
Equipment and Vehicles	321,945	50,797	8,864	363,878
Infrastructure	3,700	100	-	3,800
Total accumulated depreciation	735,337	76,019	8,864	802,492
Total capital assets being depreciated, net	1,186,930	93,393	27,142	1,253,181
Total capital assets, net	\$ 1,219,429	\$ 93,393	\$ 29,641	\$ 1,283,181



**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 5 - Risk Management**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its fund at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2012 was \$12,089 and for the year ended June 30, 2011 was \$12,271.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the Agency's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 5 - Risk Management (Continued)**

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$15,000, respectively. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 6 - Pension and Retirement Benefits**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Agency is required to contribute 8.07% of annual payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$11,949, \$10,541, and \$9,208, respectively, equal to the required contributions for each year.

**Note 7 - Changes in Long-Term Liabilities**

Bank Notes

During the year ended June 30, 2008, the Agency financed the purchase of a compactor with a bank note. The outstanding balance on this note as of June 30, 2012 is \$171,864. This note bears interest at a rate of 3.65%. Final payment on the note is due in the year ending June 30, 2018.

Details of bank notes payable at June 30, 2012 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2012
Bank Notes	3/31/08	3.65%	May 10, 2018	\$26,514-\$30,675	\$271,075	\$ 171,864

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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**Note 7 -        Changes in Long-Term Liabilities (Continued)**

A summary of the annual bank note principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 26,514	\$ 5,832	\$ 32,346
2014	27,498	4,848	32,346
2015	28,519	3,827	32,346
2016	29,577	2,769	32,346
2017	30,675	1,671	32,346
2018	29,081	569	29,650
Total	<u>\$ 171,864</u>	<u>\$ 19,516</u>	<u>\$ 191,380</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Plymouth County Area Solid Waste Agency:

We have audited the financial statements of the Plymouth County Area Solid Waste Agency as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 8, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

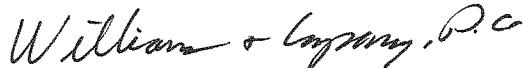
In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items II-A-12 and II-B-12 to be material weaknesses.

Plymouth County Area Solid Waste Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

Le Mars, Iowa  
November 8, 2012

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Finding Related to the Financial Statements:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted

**MATERIAL WEAKNESSES:**

**II-A-12 Financial Accounting - Segregation of Duties** – An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the Agency:

- (1) Accounting System – record keeping for revenues and expenses, and
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Payroll – changes to master list, preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. However, we will have the manager review receipts, posting, and payroll on a test basis.

Conclusion - Response accepted.

**II-B-12 Financial Reporting** - During the audit, we identified material amounts of receivables, payables, accruals and capital asset additions not recorded in the Agency's financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

Recommendation - The Agency should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Agency's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion - Response accepted.

**PLYMOUTH COUNTY AREA SOLID WASTE AGENCY**  
**Schedule of Findings**  
**For the Year Ended June 30, 2012**

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**Part III: Other Findings Related to Statutory Reporting**

- III-A-12 Questionable Expenses** – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-B-12 Travel Expense** – No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
- III-C-12 Board Minutes** – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- III-D-12 Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- III-E-12 Financial Assurance** – The Agency has demonstrated financial assurance for closure and postclosure care costs as required by Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$770,000
Less: Balance of funds held in local dedicated fund at June 30, 2011	(583,149)
	186,851
Divided by the number of years remaining in the pay-in period	÷ 6
Required initial payment into the local dedicated fund	<u>\$ 31,141</u>
Balance of funds held in the local dedicated fund at June 30, 2011	<u>\$ 583,149</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2012	<u>\$ 614,290</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2012	<u>\$ 771,320</u>